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California State Senate

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BUDGET AND FISCAL REVIEW

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Agenda

**Senate Budget and Fiscal Review Committee
Senator Wesley Chesbro, Chair**

**March 31, 2005
Room 4203, 10 a.m. or
Upon Adjournment of Session**

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- I. SCA 2 – McClintock – Budget Process, Mid-Year Budget Adjustments, State Appropriations Limit**
 - II. SCA 5 – McClintock – Budget Process – Changes to the Process for Mid-Year Budget Adjustments**

-REVISED-

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW

Wesley Chesbro, Chair

Bill No:	SCA 2
Author:	McClintock
As Amended:	March 29, 2005
Consultant:	Daniel Alvarez / Dave O'Toole
Fiscal:	Yes
Hearing Date:	March 31, 2005

SUBJECT

Budget Process, Mid-Year Budget Adjustments, State Appropriations Limit

DESCRIPTION

This proposed constitutional amendment makes significant changes that would, among other things, impose new intermediate legislative budget deadlines – that if missed would transfer budget appropriation authority to the administration, significantly modify the current State's Appropriation limit, eliminate appropriations limits for local government, expand the definition of taxes to include "fees" as specified, and impose limits on the issuance of general obligation (GO) bonds.

SPECIFICALLY, THIS CONSTITUTIONAL AMENDMENT:

1. Changes Related to Enactment of a Budget (Article IV, Section 12)

- a) Requires the Governor's proposed January 10 budget include a minimum General Fund reserve of at least 3 percent. Prohibits the Legislature from voting on any budget unless it contains a 3 percent GF reserve. Currently, the Constitution requires only a prudent reserve.
- b) Amends the Legislature's authority to require passage of a budget bill by each house of the Legislature no later than May 15. If both houses fail to pass a budget by May 15, then the Governor's proposed budget is deemed the Budget for that fiscal year. If only one house passes a budget bill, then the budget passed by that house is the budget bill presented to the Governor. Differences between budgets passed by each house would continue to be resolved through a budget conference committee.
- c) Requires both houses to pass a budget bill by June 15. If both houses fail to pass a budget bill by June 15, then the Governor's proposed budget is deemed the Budget for purposes of the State Constitution.
- d) Permits passage of a budget bill with a majority vote.
- e) Provides the Legislature the ability to override a veto of the *entire* budget within 3 days of the veto and with a 2/3 vote. Specifies that if the Legislature fails to

override that veto then the Legislature may pass a subsequent budget bill without regard to any deadlines.

2. Changes Related to Mid-Year Budget Adjustments (Article IV, Section 10)

- a) Deletes constitutional provisions enacted under Proposition 58 (March 2004), which created a process for mid-year budget adjustments that requires legislative action.
- b) Requires the Governor to issue a proclamation reducing or eliminating items appropriations, if the Governor determines and the State Controller concurs, that estimated General Fund expenditures exceed estimated General Fund revenues.
- c) Requires the Governor to suspend, for that particular fiscal year, the operation of any statute to the extent the reduction or elimination of an appropriation renders the statute's operation infeasible.
- d) Authorizes the Legislature to override or amend an action taken by the Governor, if the resolution is passed in each house with a 2/3 vote, and done within 12 days of the Governor's action.

3. Changes in State Taxes – Vote requirement (Article XIII A, Section 3)

- a) Clarifies that an increase in any state tax or imposition of any new state tax must be passed with a 2/3 legislative vote.
- b) Defines a "tax" as any charge or exaction imposed by any governmental entity, with the exception for specific goods and services requested by the payer where all of the following apply:
 - The proceeds of the charge are used solely for the provision of the requested goods or services;
 - The charge does not exceed the actual proportionate cost of providing the goods or services;
 - Acceptance of the goods and services is not a condition of any action by a state agency.

4. New State Appropriation Limitation (Article XIII B)

- a) Repeals the existing State Appropriation Limit (Article XIII B) for state and local governmental entities, and replaces it with a specified Appropriation Limit for state government only.
- b) Limits General Fund appropriations in 2006-07 to not more than \$87 billion General Fund, and not more than \$101.1 billion in the aggregate from all state funds. Permits subsequent annual adjustments to the appropriation's limit based on a percentage equal to the sum of the following: (a) the percentage change in state population in the prior fiscal year, and (b) the percentage change from the preceding year in the Consumer Price Index for the United States.
- c) Requires that revenues in excess of the amount appropriated for that fiscal year be returned within 18 months of the close of that fiscal year by a rebate to California personal income tax return filers. The rebate will be paid out in proportion to the

total amount of social security taxes paid by every filer, as specified, for the most recent taxable year. The state may opt to retain the surplus revenue until it reaches \$100 million at which time rebates must be made.

- d) Prohibits the State Treasurer from issuing general obligation (GO) bonds in an amount that would require more than 5 percent of the State General Fund to annually pay principal and interest on all outstanding GO debts.
- e) Specifies that local governments are not required to provide any new program or higher level of service in any fiscal year, unless and until they have received funding sufficient to do so for that fiscal year.
- f) Exempts “emergency” appropriations from the appropriations limit if the Governor declares an emergency and 4/5 vote of the Legislature concurs, as specified.

5. **Modifications to Proposition 98 (Article XVI, Sections 8 & 8.5)**

- a) Strikes references in the state constitution where up to 50 percent of any “excess” state revenue, as determined by the current State Spending Limit, would be dedicated to the funding of schools and community colleges.
- b) Clarifies that payment of the maintenance factor for school districts and community colleges be based on enrollment changes, as adjusted by California per capita personal income from the preceding year.
- c) Eliminates, with the exception of requiring a School Accountability Report Card, Section 8.5 which gives direction that the any “excess” revenues are for the stated purpose of having class sizes no greater than the average of the top ten states with the lowest class size and per pupil expenditures equal to the average of the ten states with the highest per pupil expenditures.

6. **Budget Stabilization Account (Article XVI, Section 20)**

- a) Repeals a provision of the constitution which created the Budget Stabilization Account. This provision was created under Proposition 58 (March 2004).
- b) Repeals a provision of the constitution that continuously appropriates surplus funding in the BSA to repayment of the deficit recovery bonds, which were first issued in March, 2004.

EXISTING PROVISIONS RELATED TO THE BUDGET

General Background. The Constitution vests the Legislature with the sole power to appropriate funds (and make mid-year adjustments to appropriations). Specifically, the Constitution requires that (1) the Governor propose a budget by January 10 for the next fiscal year beginning July 1; and (2) the Legislature pass a budget by June 15. The Governor may then either sign or veto the budget bill. The Governor also may reduce certain individual appropriations in the budget before signing the measure. Once the budget is signed, the Governor may not unilaterally reduce any appropriations. The state is required to maintain a prudent reserve.

Proposition 58 (approved by the voters in March 2004) requires that budgets passed by the Legislature must be balanced; meaning expenditures cannot exceed available resources. In addition, to a prudent reserve, Proposition 58, beginning in the 2006-07 fiscal year, established a General Fund reserve entitled the Budget Stabilization Account (BSA), and requires that a specified portion of General Fund revenues must be transferred to the new BSA. Each year, 50 percent of revenues allocated to the BSA, up to a total of \$5 billion, must be used to accelerate repayment of the Economic Recovery Bonds authorized under Proposition 57. The Governor may, under certain conditions, suspend or reduce transfers to the BSA.

Mid-year Adjustments Process. After a budget is signed into law and it falls *substantially* out of balance, the Governor may declare a fiscal emergency and call the Legislature into special session to consider proposals to deal with the fiscal imbalance. The proclamation is required to identify the nature of the fiscal emergency and be accompanied by proposed legislation to address the fiscal emergency. If the Legislature fails to pass and send to the Governor legislation to address the budget problem within 45 days after being called into special session, the Legislature is prohibited from acting on other bills or adjourning in joint recess.

Late Budgets. When a fiscal year begins without a state budget, most expenses do not have authorization to continue. Over time, however, a number of court decisions and legal interpretations of the Constitution have expanded the types of payments that may continue to be made when a state budget has not been passed. Consequently, when there is not a state budget, payments now continue for a portion of state employees' pay; debt service; and various programs authorized by the Constitution, federal law, or initiatives.

STATE APPROPRIATION LIMIT (Article XIIB)

Article XIIB limits the level of most appropriations from tax sources that the state and most local government entities -- cities, counties, K-12 school districts, community college districts, and special districts -- are permitted to make in any given year.

The annual spending limit for each jurisdiction is based on the amount of appropriations in 1978-79 (the base year), as adjusted each year for population growth and cost-of-living factors (for the State, the change in cost-of-living is tied to the percent change in per capita personal income). In general, appropriations subject to the limit are equal to all appropriations funded from the proceeds of taxes, except for those which are specifically exempted under Article XIIB, such as debt service and capital outlay.

According to the Legislative Analyst (LAO), the state is \$9.4 billion below its appropriations limit in 2004-05 and, under the Governor's budget proposal, would be \$9.7 billion below the limit in 2005-06. This large gap opened up in 2001-02 following the steep revenue downturn in that year.

Under statute, the Governor must submit to the Legislature along with the budget an estimate of the state's appropriations limit for the budget year. The estimate is subject to

the budget process, and the official limit is established in the annual Budget Bill. The Department of Finance and the LAO have developed the methodologies necessary to compute the limit annually.

Reserve Provisions. The current limit requires that the state maintain a prudent reserve. Proposition 58 (approved by voters in March 2004) established a specific General Fund reserve entitled the Budget Stabilization Account (BSA), and requires that annual amounts of General Fund revenues be transferred to the account beginning in 2006-07. Each year, 50 percent of revenues allocated to the fund will be used to repay any outstanding deficit-financing bonds. The remainder is available to the General Fund upon a vote of the Legislature.

Funding of Mandates. Whenever the Legislature or any state agency mandates a new program or higher level of service on any local government, the state is required to provide a subvention of funds to reimburse the local government for the costs of the program or increased level of service, with specified exceptions.

Proposition 1A (passed by the electorate in November 2004) requires the Legislature to either suspend a mandate or appropriate the necessary funds in the budget to reimburse local governments for performing the mandate; to reimburse local governments when the state mandates that local government assume a greater percentage of the financial responsibility for a program or service previously shared with the state; and to begin repaying amounts owed to local governments for mandate costs incurred prior to fiscal year 2004-05. Proposition 1A does not apply to mandates affecting local schools or mandates related to employee relations and collective bargaining.

Under Proposition 1A, the Legislature must take one of the following actions regarding every local government mandate: (1) fully fund the annual cost of the mandate in the budget, (2) include language in the budget *suspending* local government obligations to carry out the mandate in the fiscal year, or (3) repeal the mandate. The only exception to this requirement is for non-education state mandates relating to employee rights.

FISCAL EFFECT

- 1) The effects of re-benching the State's Appropriation Limit (which under SCA 2 would grow by the percentage change in population and US CPI) will result in slower growth in state spending relative to current constitutional provisions. It is not clear what reductions will have to be made to fund competing program needs. Since SCA 2 does not modify the Proposition 98 minimum funding growth factors (percentage change in enrollment and per capita personal income), SCA 2 will have the long-term effect of further limiting growth of non-Proposition 98 funding.
- 2) The numerous budget-related provisions of this measure could lead to a variety of fiscal outcomes including: reduced debt financing, program eliminations and reductions, and loss of federal funds due to reduced state matching funds. Their individual and collective impacts would depend on future directions in the state's

economy and revenues, as well as policy preferences of future Governors and Legislatures.

- 3) There would be election-related costs, of at least \$275,000 General Fund, to the Secretary of State to place this measure in the statewide election voter pamphlet, assuming five pages at \$55,000 per page.

COMMENTS:

- 1) ***Intent.*** According to information provided by the author's office, SCA 2 is a comprehensive budget reform measure designed to limit state spending and borrowing, guarantee on-time, balanced budgets, and restore the 2/3 vote requirement for all tax increases. Ultimately, the author believes the state's financial condition will continue to deteriorate until the principles in SCA 2 are re-established in the State Constitution.
- 2) ***Legislative role is diminished.*** There are various concerns related to the reduction of Legislative authority:
 - SCA 2 establishes the Governor's January budget as the Budget by default whenever the Legislature, as specified, does not meet either the May 15 or June 15 deadlines. SCA 2 could undermine California's bicameral legislative system. In the event that one house passes a budget by May 15 and the other does not, that house alone is represented by the budget bill presented to the Governor. This raises concerns of voter disenfranchisement through a budget enactment process that silences one-half of their state representation.
 - If the Legislature does not meet the SCA 2 deadlines for budget passage, and the default is the Governor's budget, what is the implication for trailer bill legislation necessary to enact various portions of the Governor's budget? Does this imply budget trailer bills are implemented?
 - At present, the state is required to maintain a prudent reserve in an amount deemed reasonable and necessary by the Legislature. Proposition 58 establishes the BSA to begin the process of building up a reserve for use in bad fiscal times. SCA 2 imposes a strict mandatory 3 percent General Fund reserve every fiscal year. It is quite possible that the General Fund reserve could accumulate to unknown levels in the billions of dollars; well in excess of the BSA requirements.
 - In the event of a mid-year fiscal emergency, SCA 2 provides the Governor unilateral authority to reduce or eliminate appropriations in mid-year, as specified. SCA 2, unlike Proposition 58, does not require notification to, review of, or approval by the Legislature of any appropriation reduction or elimination, or statutory suspension change that could occur, with the exception of a 2/3 vote of the Legislature to override a reduction or elimination within 12 days of the Governor's action.

- Mid-year Suspension of Statutes is Problematic. SCA 2 vest powers of suspending statute to the administration. The power of suspending statute even for one year without legislative input is extraordinary. SCA 2 contains no direction on how the suspension process would work. No priority is given for any particular area of the budget; for example, health and human services programs could possibly be suspended for a fiscal year, while GF support for the Department of Finance' web-based budget continues. In addition, does "partial" funding of a budget item make it "operationally infeasible"? Who makes the determination of "operationally infeasibility"?
 - SCA 2 contemplates only GF reductions and suspension of statutes, and does not include any acknowledgement or authority of possible revenue increases as a way to bridge any potential gap between expenditures and revenues.
- 3) ***Legislative Vote Requirements.*** SCA 2 permits a majority vote of the Legislature for passage of a budget, yet requires a 2/3 vote for any changes in taxes, budget veto overrides, or changes in the mix of mid-year reductions that may be proposed by the Governor.
 - 4) ***Appropriations Limit Starting Point Unclear.*** According to the author's office, the \$87.0 billion General Fund appropriations limit and \$101.0 billion all state funds appropriations limit are tied to 2004-05 expenditures. However, these numbers could not be tied to commonly used budget figures. Furthermore, it is not clear that the borrowing used to close recent budget shortfalls was included in the overall calculation.
 - 5) ***Eliminates May Revise budget estimates.*** SCA 2 eliminates the May Revision Budget process. This is the time when new revenue estimates are available post April 15 tax filing deadline. As a result, the fiscal condition of state General Fund revenues could change significantly. And if the Legislature does not comply with the May 15 deadline, then a budget based on revenues and expenditures from six months prior would be presented to the Governor. By measures of both dollars and policy the difference between proposed and enacted budgets is vast.
 - 6) ***SCA 2 eliminates a key component of Proposition 58*** before it has been undertaken – the process for mid-year budget adjustments. In the ballot argument for Proposition 58, signed by among others Governor Schwarzenegger, the process for mid-year budget adjustments was promoted as necessary to "...force the Governor and the Legislature to work together to find a solution to the problem BEFORE IT IS TOO LATE" (emphasis added). Without having attempted to see if Proposition 58 will work, it seems hasty to eliminate these provisions.
 - 7) ***Limiting General Obligation bond debt.*** By limiting annual General Fund payments for general obligation bonds to no more than 5 percent, this measure could reduce capital outlay spending at a time when long-term construction to provide

improvement and repair to the state's infrastructure is necessary. According to the LAO, annual General Fund debt service for capital outlay bonds is projected to be about \$3.6 billion in 2004-05, representing about 4.6 percent of projected General Fund revenues.

If the \$1.3 billion in debt payments on recently passed Economic Recovery Bonds (Proposition 57, March 2004) is included in the debt payment limit, then the state will have exceeded the proposed 5 percent limit – and no bonds may be issued for any type of capital outlay project.

The passage of SCA 2 could have a chilling effect on state bond-funded projects by creating uncertainty over what projects would be sacrificed in order to keep bond expenditures below five percent of annual General Fund expenditures.

- 8) ***2/3 Vote Requirement for Fees.*** In addition to taxes, the Legislature and local governments may impose fees, assessments, and other charges on individuals and businesses. While the constitutional requirements regarding imposition of these levies vary, the requirements generally involve lower approval thresholds by the governing body and/or voters than is the case for taxes. Current law generally defines fees to be charges related to specific services or regulatory activities. Past court decisions, however, have allowed levies imposed on businesses for remediation or mitigation of past damages to be classified as fees. These levies are subject to approval by (1) a majority vote of the Legislature (instead of a two-thirds vote that would be required for a state tax) or (2) the local governing board (instead of approval by the local governing board and local voters that would be required for a local tax).
- 9) ***Various Concerns Related to the Unknown Impact of Changing current State's Appropriation Limit***
 - SCA 2 does not provide for any appropriations exemptions, or exceptions to what is considered tax revenue for purposes of calculating the limit. Currently, for example, some of the following appropriations are not limited, even if made from the proceeds of taxes: voter approved bonded indebtedness, appropriations to pay for the costs of complying with federal laws and court mandates; and appropriations from Proposition 99 and California Children and Families First Act revenues.
 - Spending that simply keeps pace with inflation and population growth may not reflect the cost of delivering the same level of public services. This is particularly true since the costs of many key “drivers” in the state budget have increased more rapidly than inflation. The Consumer Price Index (CPI) is designed to measure increases in the cost of goods and services purchased by households, not governments.
- 10) ***Administration supports ACA 4X (Keene).*** The administration has proposed an alternative constitutional amendment that provides on-going spending authority in the event of a late budget, across-the-board spending cuts to prevent General Fund

spending from exceeding revenues, changes to the Proposition 98 minimum funding guarantee for K-14 education, protection for Proposition 42 transportation funding, and prohibitions on General Fund borrowing from special funds. This measure is currently under review and deliberation in the Assembly.

- 11) ***Governor Veto Power Still Works.*** On July 29, the Legislature enacted a balanced budget as required by the State Constitution, SB 1113 (Chapter 208, Statutes of 2004). The Governor exercised his veto authority as provided in the State Constitution under Article IV, Section 10 (e) prior to signing this measure into law. The Governor vetoed approximately \$116 million in various General Fund, special and bond funds.

Support:

- 1) The Santa Barbara County Taxpayers Association

Opposition:

- 1) California Labor Federation
- 2) Faculty Association of California Community Colleges
- 3) California Teamsters, Public Affairs Council
- 4) California Conference Board of the Amalgamated Transit Union
- 5) California Conference of Machinists
- 6) Engineers and Scientists of California
- 7) Region 8 States Council of the United Food and Commercial Workers
- 8) Union of Needletrades, Textiles and Industrial Employees, Hotel Employees
- 9) Restaurant Employees International Union
- 10) Professional and Technical Engineers, Local 21
- 11) American Federation of Television and Radio Artists
- 12) Strategic Committee of Public Employees, Laborers' International Union of North America

SENATE COMMITTEE ON BUDGET AND FISCAL REVIEW
Wesley Chesbro, Chair

Bill No:	SCA 5
Author:	McClintock
As Amended:	March 29, 2005
Consultant:	Daniel Alvarez / Dave O'Toole
Fiscal:	Yes
Hearing Date:	March 31, 2005

SUBJECT

Budget Act – Changes to the Process for Mid-Year Budget Adjustments.

DESCRIPTION

This proposed constitutional amendment provides the Governor unilateral authority to reduce or eliminate items of appropriation (after a Budget has been enacted), and may suspend the operation of any statute to the extent that a reduction or elimination of an appropriation renders the statute operationally infeasible.

The Governor would first make a determination that General Fund (GF) revenues will decline below estimated GF revenue amounts, or GF expenditures will increase above the GF revenue estimate for that particular fiscal year.

More specifically, SCA 5 does the following:

1. Deletes constitutional provisions enacted under Proposition 58 (March 2004), which created a process for mid-year budget adjustments that requires legislative action.
2. Provides that if the Governor determines, and the Controller concurs, following the enactment of the Budget Bill for 2005-06 or any subsequent fiscal year, that GF revenues will decline below the estimate of GF revenues for that fiscal year, or GF expenditures will increase above the estimate of GF revenues, or both, the Governor may issue a proclamation reducing appropriations, as specified.
3. Authorizes the Governor, by proclamation, to reduce or eliminate one or more items of appropriation from the General Fund as necessary to prevent General Fund expenditures from exceeding the estimate of General Fund revenues for that particular fiscal year.
4. Permits the Governor to suspend, for that particular fiscal year, the operation of any statute to the extent the reduction or elimination of an item of appropriation renders infeasible the operation of that statute.
5. Authorizes the Legislature by resolution, to override or amend an action taken by the Governor, if the resolution is passed in each house with a 2/3 vote concurring, and done within 30 days of the Governor's action.

PRIOR LEGISLATION -- **Proposition 58, the California Balanced Budget Act**, was enacted March 2, 2004, with over 71 percent approval of the voters. Proposition 58, amended the State Constitution in three significant ways:

1. Requires that the Legislature cannot submit to the Governor—or nor can the Governor sign—a budget bill that is not balanced (Article IV, Section 12 (f)).
2. Creates a process for mid-year budget adjustments (Article IV, Section 10 (f)).
3. Creates a new extraordinary reserve called the Budget Stabilization Account (BSA) where, beginning in 2006-07, the State Controller would automatically transfer from the General Fund to the BSA a specified portion of “excess revenue.” (Article XVI, Section 20).

PROCESS FOR MID-YEAR BUDGET ADJUSTMENTS (as approved under Proposition 58) Article IV, Section 10 (f) of the State Constitution, is as follows:

1. If the Governor determines, after enactment of the budget bill for 2004-05 budget or any subsequent fiscal year, the state is facing a *substantial* revenue shortfall or General Fund expenditures *substantially* increase above General Fund revenue estimates, the Governor may declare a fiscal emergency.
2. The Governor is required to identify the nature of the fiscal emergency, propose legislation to address the problem, and call the Legislature into special session for that purpose.
3. Authorizes the Legislature up to 45 days to enact the Governor's proposals or an alternative solution. If the Legislature fails to solve the problem in 45 days, then the measure prohibits the Legislature from recessing or acting on any other legislation until it acts to resolve the fiscal emergency.

FISCAL EFFECT

- 1) The net fiscal effect of this measure over time is unknown. The numerous budget-related provisions of this measure could lead to a variety of fiscal outcomes. Their individual and collective impacts would depend on future directions in the state's economy and revenues, as well as policy preferences of future Governors and Legislatures.
- 2) There would be election-related costs, of at least \$275,000 General Fund, to the Secretary of State to place this measure in the statewide election voter pamphlet, assuming five pages at \$55,000 per page.

COMMENTS:

1. **Rationale.** According to the author's office the Governor, as proposed in this SCA, had similar constitutional authority from 1939 until 1983. The author's office indicates that prior law needs to be restored to provide adequate ongoing budget control.

2. **Numerous Concerns with SCA 5**

- *Eliminates Key Component of Proposition 58.* SCA 5 eliminates a key component of Proposition 58 before it has been undertaken – the process for mid-year budget adjustments. In the ballot argument for Proposition 58, signed by among others Governor Schwarzenegger, the process for mid-year budget adjustments was promoted as necessary to “...force the Governor and the Legislature to work together to find a solution to the problem BEFORE IT IS TOO LATE.”
- *Legislative Authority is Diminished.* SCA 5 provides the Governor unilateral authority to reduce or eliminate appropriations in mid-year, as specified. SCA 5, unlike Proposition 58, does not require notification to, review of, or approval by the Legislature of any appropriation reduction or elimination, or statutory suspension change that could occur, with the exception of a two-third vote of the Legislature to override a reduction or elimination.
- *Minimal Changes in Budget Estimates Could Trigger Significant Reductions and Suspension of Statute.* For example, under SCA 5, a \$1 million GF difference in either revenue or expenditure estimates could be used to trigger significant reductions or suspension of statutes by under-funding key program components. SCA 5 is also vague as to when or at what point the budget is back in balance – who makes this determination – the Governor, the Controller?
- *Suspension of Statutes is Problematic.* SCA 5 vest powers of suspending statute with the administration. The power of suspending statute even for one year without legislative input is extraordinary. SCA 5 contains no direction on how the suspension process would work. No priority is given for any particular area of the budget; for example, health and human services programs could possibly be suspended for a fiscal year, while GF support for Department of Finance’s web-based budgeting continues. In addition, does “partial” funding of a budget item make it “operationally infeasible”? Who makes the determination of “operationally infeasibility”?
- *SCA 5 contemplates only GF reductions* and suspension of statutes, and does not include any acknowledgement or authority of possible revenue increases as a way to bridge any potential gap between expenditures and revenues.

3. **Governor Veto Authority a Historically Adequate Tool to Curb Expenditures.**

The Legislature enacted a balanced budget as required by the State Constitution, SB 1113 (Chapter 208, Statutes of 2004). The Governor exercised his veto authority as provided in the State Constitution under Article IV, Section 10 (e) prior to signing this measure into law. The Governor vetoed approximately \$116 million in various General Fund, special and bond funds.

Support:

1. The Performance Institute
2. People’s Advocate Inc.
3. The National Tax Limitation Committee

4. Santa Barbara County Taxpayers Association

Opposed:

1. California Labor Federation